



OFFICE OF THE AUDITOR GENERAL
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SUPPLEMENTAL DIGEST TO RETIREMENT SYSTEMS' AUDITS

According to figures provided by the retirement systems, the cumulative unfunded actuarial accrued liability for the five State-financed retirement systems as of June 30, 1999 was \$15.4 billion. The unfunded liability increased about \$1.026 billion during FY 99. While the unfunded accrued liability is still a problem, improvements have been made and funding ratios have generally improved during the past few years.

In FY 1996 a State funding law became effective changing State retirement funding practices. Public Act 88-0593 provided for a stated 50 year funding plan which included a 15 year phase-in period. State contributions were to be made through a continuing appropriation instead of the annual budgetary process. The law was designed to increase pension funding incrementally until a 90% funded level is achieved.

In FY 1997 the retirement systems adopted a new accounting statement for financial reporting. It required that plan assets be reported at *fair* value rather than *cost*. According to figures provided by the retirement systems, the adoption had the cumulative effect of *increasing* the financial reporting value of the assets by approximately \$5.9 billion for the five State-financed retirement systems at June 30, 1997 thereby decreasing the amount of the Systems' unfunded liability by that amount.

In FY 99, FY 98, and FY 97 investment performance generally had a positive impact on funded ratios.

June 30, 1999 Unfunded Actuarial Accrued Liability and Funded Ratio (millions)				
	(a)	(b)	(c)	(d)
Retirement System	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability [col. (a) - col. (b)]	Funded Ratio [col. (b)/(a)]
Teachers'	\$33,206	\$22,238	\$10,968	67.0%
State Universities	\$12,618	\$10,762	\$1,856	85.3%
State Employees'	\$9,998	\$7,986	\$2,012	79.9%
Judges'	\$806	\$390	\$416	48.4%
General Assembly	\$161	\$67	\$94	41.5%
TOTAL	\$56,789	\$41,443	\$15,346	---

